



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MAY 3 1982

MEMORANDUM FOR THE HONORABLE LAWRENCE S. EAGLEBURGER
UNDER SECRETARY FOR POLITICAL AFFAIRS
DEPARTMENT OF STATE

FROM: Marc E. Leland
Assistant Secretary
International Affairs

SUBJECT: East-West Differentiation

I have reviewed the draft decision memorandum on differentiation which was discussed at a SIG on Monday, May 3, 1982. I continue to have serious reservations about this paper and do not believe that it should be forwarded to the President in its current state.

My major concern is that the paper does not clearly inform the President as to whether the policy which is being recommended is any different from that which successive administrations have applied over the last ten years. If it is, the paper should analyze what these differences are and what policy objectives we can expect to achieve vis-a-vis the status quo in Eastern Europe that resulted from the December crackdown in Poland. If the policy being recommended is not different, the paper should clearly say so and why.

In this connection, I am also concerned that the paper does not analyze the extent to which the policy of differentiation has indeed made a difference in terms of individual Eastern European countries' undertaking policies which are favorable to the United States and the West. If the proponents of differentiation feel so strongly that it has had an impact, the President should be made fully aware of the examples that support this case. Some stress is placed on Poland, but the discussion of it is unbalanced insofar as the money we sank into it is not factored into the costs. If it were, Poland would be a two-edged sword as a case study of the application of differentiation. Moreover, an argument can be made that providing Eastern European countries with the benefits accorded to other Western countries -- e.g., MFN, official loans, etc. -- relieves the Soviet Union of the necessity to provide resources to them at the margin. This case is mentioned but not really developed. I think the President would benefit from having this case spelled out and analyzed more fully.

TREA has not reviewed. Processed IAW CIA TREA arrangement letter dtd 4/11/08.

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Thus, we are left with the situation whereby "differentiated" Eastern European states obtain the benefit of resource flows from the West as well as access to the West's trade and credit facilities. Yet there is no question that they remain -- and will continue to remain -- members of the Warsaw Pact. Is this in our interests? This is what the paper should be addressing in the context of continuation of the status quo. It never comes to grips with this issue.

Finally, I would hesitate to seek a policy determination on this issue at a time when the Buckley initiative is still underway. It does not seem to me that we should be putting forward this issue until such time as we see more clearly what the results of that initiative are. It follows that the President should not be asked to make a decision of this nature until all the relevant factors -- of which the Buckley mission is just one -- have been carefully weighed and analyzed.

cc: Under Secretary Buckley